



P.O. Box 26688  
Raleigh, NC 27611 6688

8-31-98

August 27, 1998

980867

William J. Reid  
7819 Pencross Lane  
Dallas, TX 75243

Dear William:

I am pleased to confirm your acceptance of the IBM Corporation offer of employment to you as Principal reporting to Sam Kelley in IBM Global Services. Your salary will be \$10,834.00 monthly plus benefits. This is an exempt position which means you will not be entitled to overtime compensation.

In addition to your base salary, Variable Pay is another important part of compensation opportunity and is designed to support a team oriented high performance work culture. Program payments are contingent upon the attainment of predetermined objectives assessed using both quantitative and qualitative measures at the business unit and IBM level. Payments are further differentiated based on individual performance results. In 1997, individual percent payouts ranged between 0 and 28 percent of pensionable earnings. In 1998, assuming all measures and eligibility criteria are met at 100 percent, the Variable Pay Program is designed to pay out an average of 15 percent of pensionable earnings earned during the plan year. Variable Pay is distributed in March. Further details of the program will be made available to you upon joining the IBM Company. Please note: IBM reserves the right to modify or cancel the Variable Pay program at any time during the program period or up until actual payment has been made.

In addition to a base salary, this position is eligible for participation in the 1998 IBM Professional Services Incentive Plan, targeted at 25 percent par value. This bonus is paid during the first quarter of the following year and will be based upon your attainment of assigned objectives communicated to you by your manager. For 1998, the actual payment amount will be pro-rated to reflect your date of hire.

The IBM company's obligation to make any payment under the Services Incentive Plan is subject to the condition that you are an active employee of the Company on the date the payment is actually made except for retirement under a Company Plan, approved leave of absence, death or medical disability. Full details on the terms and conditions of the IBM Services Incentive Plan will be made available to you upon joining the IBM Company. IBM reserves the right to modify or cancel this program at any time.

You will be provided a sign-on bonus of \$10,000.00 which will be included in one of your

semi-monthly paychecks within two months of the commencement of your IBM employment. This payment will be less applicable tax withholdings. This payment shall not be considered earned by you unless and until you remain employed by IBM for one year. You agree by signing our repayment agreement form and commencing your IBM employment that if you leave IBM within one year after employment begins, you will repay to IBM the net amount of this payment, unless your departure is the result of a unilateral determination by IBM without cause to end your employment. Cause includes, among other things, any violation of company policies and/or failure to perform satisfactorily.

We anticipate your start date to be August 31, 1998.

Please read Attachments A&B which refer to IBM's affirmative action programs for individuals with disabilities, special disabled veterans, and veterans of the Vietnam era.

IBM employees are required to comply with IBM's Business Conduct Guidelines. All regular IBM employees should also read the current version of the on-line booklet, About Your Job and of the various on-line About Your Benefit (AYB) booklets. Together these replace the content of all prior IBM employee handbooks. You may receive some or all of these documents in hard copy form during your new employee orientation. Once you have authorized access to the IBM Intranet, you will be able to read and/or print the contents of these documents, via Formal HR Docs on the HR Info homepage (<http://hrinfo.raleigh.ibm.com>). You may also ask your manager to print a copy for you.

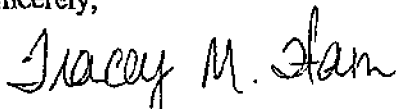
As indicated to you previously, on your start date you will be required to present documentation that verifies your identity and employment eligibility. Your employment with the IBM Corporation is contingent upon this compliance, and you must bring the appropriate documentation with you on your first day. If you do not, you will be asked to leave and return when you have obtained the required documentation.

On your first day of employment you will be required to sign IBM's form regarding confidential information and intellectual property. If you would like to review this document in advance, please contact me.

Congratulations on your decision to join the IBM team. We look forward to your joining us, and feel you will make a significant contribution to the future of the company.

If you should have any questions prior to your start date, please call me at the number below.

Sincerely,



Tracey M. Ham  
Staffing 800-334-0435 x07395

cc: Sam Kelley 6TH. FL